



**NODAWAY COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2003-102
September 30, 2003
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2003

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Nodaway, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and it does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Nodaway County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county has not established adequate procedures to track the amount of outstanding reimbursements due from the state for BRO projects. The county had submitted reimbursement requests totaling \$456,000 which were not received on a timely basis and no follow up action was taken. The county paid approximately \$4,700 to a check locator service and found approximately \$93,000 was an outstanding check from the state. This payment would not have been necessary if the county had adequate procedures in place to monitor reimbursement requests. Another reimbursement for approximately \$322,000 was outstanding for five months before the county resubmitted an accurate request.
- The Schedule of Expenditures of Federal Awards prepared by the county was not complete or accurate.
- Salaries for the Associate Commissioners, Sheriff, and Coroner increased significantly in January 1999. Section 50.333.13 RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increase for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Nodaway County's Associate County Commissioners' salaries were each increased approximately \$7,060 yearly, according to information from the County Clerk.

(over)

YELLOW SHEET

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$14,120 for the two years ended December 31, 2000, should be repaid.

Increases for the Sheriff and Coroner were \$7,000 and \$6,000, respectively and were given during their term of office. In light of the Supreme Court ruling, raises given to officials within their term of office should be re-evaluated for propriety.

- The county's budgets and published financial statements for the years ended December 31, 2002 and 2001 excluded some funds required to be included by law. In addition, the County Commission approved expenditures in excess of budgeted amounts for various funds.
- The Juvenile Office procured legal services from an attorney, who also serves as the county Prosecuting Attorney, but maintained no documentation to support how the attorney was selected. No agreement exists detailing the services to be performed and the amount to be paid and no supporting documentation was available from the Juvenile Office to support the monthly payments of \$1,000 per month in 2002 and \$500 per month in 2001. The Circuit Judge provided an opinion that this situation was appropriate because the payments to the Prosecuting Attorney were for work performed on Juvenile cases for the other four counties in the circuit and not for work performed on Nodaway County cases. Considering that Nodaway County is responsible for 51% of the 4th Judicial Circuit expenses, and there is no documentation to show which cases are charged for, the county may, unknowingly, be paying for work performed on Nodaway County cases.

The audit also suggested improvements to procedures over county bidding practices, the reconciliation of aggregate abstracts to tax books, and reporting and tracking of employee leave balances. In addition, the audit included recommendations to the Sheriff, Health Center, Associate Division, and the Senate Bill 40 Board.

All reports are available on our website: www.auditor.state.mo.us

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

To the County Commission
and
Officeholders of Nodaway County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Nodaway County, Missouri, as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Nodaway County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2002 and 2001, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 5, 2003 , on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Nodaway County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.



Claire McCaskill
State Auditor

June 5, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Rosemarie Edwards
Audit Staff:	Naima Ramlatchman Marty Carter



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Nodaway County, Missouri

We have audited the financial statements of various funds of Nodaway County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 5, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Nodaway County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Nodaway County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that

we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report

This report is intended for the information and use of the management of Nodaway County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

June 5, 2003 (fieldwork completion date)

Financial Statements

Exhibit A-1

NODAWAY COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 2,692,412	2,560,230	2,125,889	3,126,753
Special Road and Bridge	1,248,269	2,237,197	2,896,540	588,926
Assessment	(21,166)	253,089	200,663	31,260
Law Enforcement Training	27,557	7,324	9,081	25,800
Prosecuting Attorney Training	(66)	1,470	900	504
Recorder User Fee	12,664	16,290	17,614	11,340
Tax Incentive Payment	7,889	0	0	7,889
911	(85,763)	202,236	247,465	(130,992)
Sheriff Crime Cost	12,947	19,072	22,060	9,959
Nuclear Accident Emergency Preparedness	3,944	5,000	1,798	7,146
Senior Citizen Tax	31,847	108,530	104,400	35,977
Local Emergency Preparedness	10,116	3,548	967	12,697
Election Services	6,380	1,957	0	8,337
Health Center	364,204	427,055	418,302	372,957
Senate Bill 40	22,050	112,417	105,812	28,655
Circuit Division Interest	6,930	2,570	4,110	5,390
Law Library	4,148	3,288	2,134	5,302
Collector Tax Maintenance	0	187	0	187
Adult Abuse	2,970	2,740	3,000	2,710
Associate Division Interest	25,036	1,480	562	25,954
Probate Division Interest	283	23	25	281
Total	\$ 4,372,651	5,965,703	6,161,322	4,177,032

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

NODAWAY COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 2,177,311	2,489,252	1,974,151	2,692,412
Special Road and Bridge	1,496,722	2,047,779	2,296,232	1,248,269
Assessment	(32,615)	252,241	240,792	(21,166)
Law Enforcement Training	18,854	10,717	2,014	27,557
Prosecuting Attorney Training	87	1,876	2,029	(66)
Recorder User Fee	11,216	11,228	9,780	12,664
Tax Incentive Payment	8,415	0	526	7,889
911	(73,901)	176,906	188,768	(85,763)
Sheriff Crime Cost	6,428	27,581	21,062	12,947
Nuclear Accident Emergency Preparedness	624	5,000	1,680	3,944
Senior Citizen Tax	13,567	114,280	96,000	31,847
Local Emergency Preparedness	7,202	6,631	3,717	10,116
Election Services	1,163	5,217	0	6,380
Health Center	311,276	448,060	395,132	364,204
Senate Bill 40	31,661	119,719	129,330	22,050
Circuit Division Interest	11,260	4,413	8,743	6,930
Law Library	3,713	3,737	3,302	4,148
Adult Abuse	3,110	2,860	3,000	2,970
Associate Division Interest	28,383	5,596	8,943	25,036
Probate Division Interest	239	44	0	283
Total	\$ 4,024,715	5,733,137	5,385,201	4,372,651

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

NODAWAY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 6,072,569	5,740,326	(332,243)	5,977,684	5,724,637	(253,047)
DISBURSEMENTS	6,327,837	5,947,523	380,314	6,628,536	5,373,258	1,255,278
RECEIPTS OVER (UNDER) DISBURSEMENTS	(255,268)	(207,197)	48,071	(650,852)	351,379	1,002,231
CASH, JANUARY 1	4,282,576	4,282,576	0	3,992,983	3,992,983	0
CASH, DECEMBER 31	4,027,308	4,075,379	48,071	3,342,131	4,344,362	1,002,231
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	8,800	17,325	8,525	15,300	8,791	(6,509)
Sales taxes	1,742,150	1,850,587	108,437	1,750,000	1,749,036	(964)
Intergovernmental	159,557	176,487	16,930	32,850	139,471	106,621
Charges for service:	321,950	414,180	92,230	293,800	410,260	116,460
Interest	91,750	66,800	(24,950)	100,000	134,933	34,933
Other	25,987	34,851	8,864	71,150	46,761	(24,389)
Total Receipts	2,350,194	2,560,230	210,036	2,263,100	2,489,252	226,152
DISBURSEMENTS						
County Commissior	107,170	89,776	17,394	107,820	90,092	17,728
County Clerk	98,050	93,012	5,038	96,435	90,553	5,882
Elections	58,300	54,521	3,779	60,300	41,638	18,662
Buildings and grounds	478,327	287,960	190,367	310,208	144,513	165,695
Employee fringe benefit	205,800	180,857	24,943	193,500	184,116	9,384
County Treasurer	77,304	73,773	3,531	71,564	72,192	(628)
County Collector	0	0	0	0	0	0
Ex Officio Recorder of Deed	73,523	75,469	(1,946)	70,761	73,720	(2,959)
Circuit Clerk	44,300	34,701	9,599	43,000	35,153	7,847
Associate Circuit Court	12,350	10,636	1,714	11,300	8,018	3,282
Court administration	7,040	11,365	(4,325)	4,184	88,086	(83,902)
Public Administrator	27,135	25,864	1,271	27,135	54,474	(27,339)
Sheriff	360,279	347,281	12,998	320,444	306,739	13,705
Jail	267,552	274,320	(6,768)	261,335	236,294	25,041
Prosecuting Attorney	143,775	133,795	9,980	138,156	137,956	200
Juvenile Officee	148,891	124,359	24,532	59,715	102,473	(42,758)
County Coroner	27,575	26,274	1,301	22,400	20,525	1,875
Public health and welfare service	5,000	125	4,875	2,250	1,100	1,150
Debt service	0	0	0	0	0	0
Other	184,550	173,731	10,819	174,250	179,509	(5,259)
Transfers out	133,360	108,070	25,290	727,030	107,000	620,030
Emergency Func	50,000	0	50,000	45,000	0	45,000
Total Disbursements	2,510,281	2,125,889	384,392	2,746,787	1,974,151	772,636
RECEIPTS OVER (UNDER) DISBURSEMENTS	(160,087)	434,341	594,428	(483,687)	515,101	998,788
CASH, JANUARY 1	2,692,412	2,692,412	0	2,177,311	2,177,311	0
CASH, DECEMBER 31	2,532,325	3,126,753	594,428	1,693,624	2,692,412	998,788

Exhibit B

NODAWAY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	111,300	122,232	10,932	102,500	111,698	9,198
Intergovernmental	2,260,000	1,687,774	(572,226)	1,925,000	1,536,438	(388,562)
Charges for services	145,000	139,713	(5,287)	125,000	149,376	24,376
Interest	50,000	31,032	(18,968)	104,000	67,571	(36,429)
Other	155,000	256,446	101,446	7,000	182,696	175,696
Transfers in	0	0	0	340,000		(340,000)
Total Receipts	2,721,300	2,237,197	(484,103)	2,603,500	2,047,779	(555,721)
DISBURSEMENTS						
Salaries	190,000	168,770	21,230	190,000	164,121	25,879
Employee fringe benefit	49,400	38,022	11,378	44,000	34,057	9,943
Supplies	40,000	34,843	5,157	41,000	30,385	10,615
Insurance	27,000	15,288	11,712	27,000	23,789	3,211
Road and bridge materials	1,315,000	1,590,538	(275,538)	1,265,000	1,304,428	(39,428)
Equipment repairs	20,000	8,093	11,907	25,000	5,522	19,478
Rentals	0	0	0	0	0	0
Equipment purchases	50,000	21,960	28,040	200,000	200,000	0
Construction, repair, and maintenance	1,160,000	1,018,799	141,201	975,000	533,137	441,863
Other expenditures	1,500	227	1,273	0	793	(793)
Total Disbursements	2,852,900	2,896,540	(43,640)	2,767,000	2,296,232	470,768
RECEIPTS OVER (UNDER) DISBURSEMENTS	(131,600)	(659,343)	(527,743)	(163,500)	(248,453)	(84,953)
CASH, JANUARY 1	1,248,269	1,248,269	0	1,496,722	1,496,722	0
CASH, DECEMBER 31	1,116,669	588,926	(527,743)	1,333,222	1,248,269	(84,953)
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	236,960	227,215	(9,745)	218,000	215,819	(2,181)
Interest	1,000	1,130	130	0	1,560	1,560
Other	250	2,744	2,494	1,800	1,862	62
Transfers in	47,290	22,000	(25,290)	98,000	33,000	(65,000)
Total Receipts	285,500	253,089	(32,411)	317,800	252,241	(65,559)
DISBURSEMENTS						
Assessor	284,500	200,663	83,837	285,150	240,792	44,358
Total Disbursements	284,500	200,663	83,837	285,150	240,792	44,358
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,000	52,426	51,426	32,650	11,449	(21,201)
CASH, JANUARY 1	(21,166)	(21,166)	0	(32,615)	(32,615)	0
CASH, DECEMBER 31	(20,166)	31,260	51,426	35	(21,166)	(21,201)

Exhibit B

NODAWAY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for service:	7,500	7,274	(226)	7,281	10,717	3,436
Other revenues	0	50	50	0	0	0
Total Receipts	<u>7,500</u>	<u>7,324</u>	<u>(176)</u>	<u>7,281</u>	<u>10,717</u>	<u>3,436</u>
DISBURSEMENTS						
Sheriff	12,000	9,081	2,919	12,000	2,014	9,986
Total Disbursements	<u>12,000</u>	<u>9,081</u>	<u>2,919</u>	<u>12,000</u>	<u>2,014</u>	<u>9,986</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,500)	(1,757)	2,743	(4,719)	8,703	13,422
CASH, JANUARY 1	27,557	27,557	0	18,854	18,854	0
CASH, DECEMBER 31	<u>23,057</u>	<u>25,800</u>	<u>2,743</u>	<u>14,135</u>	<u>27,557</u>	<u>13,422</u>
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	1,100	1,224	124	950	1,876	926
Other revenues	0	176	176	0	0	0
Transfers in	70	70	0	0	0	0
Total Receipts	<u>1,170</u>	<u>1,470</u>	<u>300</u>	<u>950</u>	<u>1,876</u>	<u>926</u>
DISBURSEMENTS						
Prosecuting Attorney	1,000	900	100	1,000	2,029	(1,029)
Total Disbursements	<u>1,000</u>	<u>900</u>	<u>100</u>	<u>1,000</u>	<u>2,029</u>	<u>(1,029)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	170	570	400	(50)	(153)	(103)
CASH, JANUARY 1	(66)	(66)	0	87	87	0
CASH, DECEMBER 31	<u>104</u>	<u>504</u>	<u>400</u>	<u>37</u>	<u>(66)</u>	<u>(103)</u>
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for service:	10,600	15,847	5,247	8,000	10,709	2,709
Interest	0	443	443	0	519	519
Total Receipts	<u>10,600</u>	<u>16,290</u>	<u>5,690</u>	<u>8,000</u>	<u>11,228</u>	<u>3,228</u>
DISBURSEMENTS						
Recorder	3,000	17,614	(14,614)	2,400	9,780	(7,380)
Total Disbursements	<u>3,000</u>	<u>17,614</u>	<u>(14,614)</u>	<u>2,400</u>	<u>9,780</u>	<u>(7,380)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,600	(1,324)	(8,924)	5,600	1,448	(4,152)
CASH, JANUARY 1	12,664	12,664	0	11,216	11,216	0
CASH, DECEMBER 31	<u>20,264</u>	<u>11,340</u>	<u>(8,924)</u>	<u>16,816</u>	<u>12,664</u>	<u>(4,152)</u>

Exhibit B

NODAWAY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TAX INCENTIVE PAYMENT FUND						
RECEIPTS						
Charges for service:				0	0	0
Total Receipts				0	0	0
DISBURSEMENTS						
Training				2,000	526	1,474
Total Disbursements				2,000	526	1,474
RECEIPTS OVER (UNDER) DISBURSEMENTS				(2,000)	(526)	1,474
CASH, JANUARY 1				8,415	8,415	0
CASH, DECEMBER 31				6,415	7,889	1,474
911 FUND						
RECEIPTS						
Charges for service:	142,000	116,236	(25,764)	83,500	102,035	18,535
Other	0	0	0	0	871	871
Transfers in	86,000	86,000	0	185,000	74,000	(111,000)
Total Receipts	228,000	202,236	(25,764)	268,500	176,906	(91,594)
DISBURSEMENTS						
Salaries	103,517	99,172	4,345	89,170	83,481	5,689
Supplies	90,700	129,457	(38,757)	91,700	86,218	5,482
Office expenditure:	13,500	18,836	(5,336)	12,000	19,069	(7,069)
Total Disbursements	207,717	247,465	(39,748)	192,870	188,768	4,102
RECEIPTS OVER (UNDER) DISBURSEMENTS	20,283	(45,229)	(65,512)	75,630	(11,862)	(87,492)
CASH, JANUARY 1	(85,763)	(85,763)	0	(73,901)	(73,901)	0
CASH, DECEMBER 31	(65,480)	(130,992)	(65,512)	1,729	(85,763)	(87,492)
SHERIFF CRIME COST FUND						
RECEIPTS						
Charges for service:	27,300	15,790	(11,510)	0	27,581	27,581
Interest	600	0	(600)	0	0	0
Intergovernmental revenue:	0	2,682	2,682	0	0	0
Other	0	600	600	0	0	0
Total Receipts	27,900	19,072	(8,828)	0	27,581	27,581
DISBURSEMENTS						
Sheriff	22,000	22,060	(60)	0	21,062	(21,062)
Total Disbursements	22,000	22,060	(60)	0	21,062	(21,062)
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,900	(2,988)	(8,888)	0	6,519	6,519
CASH, JANUARY 1	12,947	12,947	0	6,428	6,428	0
CASH, DECEMBER 31	18,847	9,959	(8,888)	6,428	12,947	6,519

Exhibit B

NODAWAY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
NUCLEAR ACCIDENT EMERGENCY PREPAREDNESS FUND						
RECEIPTS						
Intergovernmental	5,000	5,000	0	3,000	5,000	2,000
Total Receipts	5,000	5,000	0	3,000	5,000	2,000
DISBURSEMENTS						
Training	5,000	1,798	3,202	2,000	1,680	320
Total Disbursements	5,000	1,798	3,202	2,000	1,680	320
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	3,202	3,202	1,000	3,320	2,320
CASH, JANUARY 1	3,944	3,944	0	624	624	0
CASH, DECEMBER 31	3,944	7,146	3,202	1,624	3,944	2,320
SENIOR CITIZEN TAX FUND						
RECEIPTS						
Property taxes				95,000	113,514	18,514
Intergovernmental				0	134	134
Interest				0	632	632
Total Receipts				95,000	114,280	19,280
DISBURSEMENTS						
Senior services				95,000	96,000	(1,000)
Total Disbursements				95,000	96,000	(1,000)
RECEIPTS OVER (UNDER) DISBURSEMENTS				0	18,280	18,280
CASH, JANUARY 1				13,567	13,567	0
CASH, DECEMBER 31				13,567	31,847	18,280
LOCAL EMERGENCY PREPAREDNESS FUND						
RECEIPTS						
Intergovernmental	0	3,548	3,548	7,200	6,631	(569)
Total Receipts	0	3,548	3,548	7,200	6,631	(569)
DISBURSEMENTS						
Local Emergency Planning Commission	10,000	967	9,033	7,200	3,717	3,483
Total Disbursements	10,000	967	9,033	7,200	3,717	3,483
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,000)	2,581	12,581	0	2,914	2,914
CASH, JANUARY 1	10,116	10,116	0	7,202	7,202	0
CASH, DECEMBER 31	116	12,697	12,581	7,202	10,116	2,914

Exhibit B

NODAWAY COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Charges for services:	4,000	1,818	(2,182)	1,100	5,103	4,003
Interest	100	139	39	0	114	114
Total Receipts	<u>4,100</u>	<u>1,957</u>	<u>(2,143)</u>	<u>1,100</u>	<u>5,217</u>	<u>4,117</u>
DISBURSEMENTS						
County Clerk	0	0	0	0	0	0
Total Disbursements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,100	1,957	(2,143)	1,100	5,217	4,117
CASH, JANUARY 1	6,380	6,380	0	1,163	1,163	0
CASH, DECEMBER 31	<u>10,480</u>	<u>8,337</u>	<u>(2,143)</u>	<u>2,263</u>	<u>6,380</u>	<u>4,117</u>
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	115,000	111,656	(3,344)	106,000	119,344	13,344
Intergovernmental	262,305	262,753	448	243,553	268,935	25,382
Charges for services:	14,000	16,137	2,137	14,000	15,090	1,090
Interest	10,000	7,021	(2,979)	12,000	15,251	3,251
Other	22,000	29,488	7,488	18,000	29,440	11,440
Total Receipts	<u>423,305</u>	<u>427,055</u>	<u>3,750</u>	<u>393,553</u>	<u>448,060</u>	<u>54,507</u>
DISBURSEMENTS						
Salaries	266,707	262,981	3,726	280,287	263,390	16,897
Office expenditures:	90,332	88,057	2,275	80,242	93,847	(13,605)
Equipment	3,500	10,378	(6,878)	3,500	1,198	2,302
Mileage and travel	12,200	11,619	581	12,600	7,268	5,332
Other	35,200	45,267	(10,067)	32,500	29,429	3,071
Total Disbursements	<u>407,939</u>	<u>418,302</u>	<u>(10,363)</u>	<u>409,129</u>	<u>395,132</u>	<u>13,997</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	15,366	8,753	(6,613)	(15,576)	52,928	68,504
CASH, JANUARY 1	364,204	364,204	0	311,276	311,276	0
CASH, DECEMBER 31	<u>379,570</u>	<u>372,957</u>	<u>(6,613)</u>	<u>295,700</u>	<u>364,204</u>	<u>68,504</u>
<u>SENATE BILL 40 FUND</u>						
RECEIPTS						
Property taxes				0	119,263	119,263
Interest				0	456	456
Total Receipts				<u>0</u>	<u>119,719</u>	<u>119,719</u>
DISBURSEMENTS						
Contractual payments				100,000	129,330	(29,330)
Total Disbursements				<u>100,000</u>	<u>129,330</u>	<u>(29,330)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				(100,000)	(9,611)	90,389
CASH, JANUARY 1				31,661	31,661	0
CASH, DECEMBER 31				<u>(68,339)</u>	<u>22,050</u>	<u>90,389</u>

Exhibit B

NODAWAY COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CIRCUIT DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	4,000	2,570	(1,430)	4,500	4,413	(87)
Total Receipts	4,000	2,570	(1,430)	4,500	4,413	(87)
DISBURSEMENTS						
Circuit Clerk	8,000	4,110	3,890	3,500	8,743	(5,243)
Total Disbursements	8,000	4,110	3,890	3,500	8,743	(5,243)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,000)	(1,540)	2,460	1,000	(4,330)	(5,330)
CASH, JANUARY 1	6,930	6,930	0	11,260	11,260	0
CASH, DECEMBER 31	2,930	5,390	2,460	12,260	6,930	(5,330)
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Interest	4,000	3,288	(712)	4,200	3,737	(463)
Total Receipts	4,000	3,288	(712)	4,200	3,737	(463)
DISBURSEMENTS						
Circuit Clerk	3,500	2,134	1,366	2,500	3,302	(802)
Total Disbursements	3,500	2,134	1,366	2,500	3,302	(802)
RECEIPTS OVER (UNDER) DISBURSEMENTS	500	1,154	654	1,700	435	(1,265)
CASH, JANUARY 1	4,148	4,148	0	3,713	3,713	0
CASH, DECEMBER 31	4,648	5,302	654	5,413	4,148	(1,265)

The accompanying Notes to the Financial Statements are an integral part of this statement

Notes to the Financial Statements

NODAWAY COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Nodaway County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senior Citizens Board, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Adult Abuse Fund	2002 and 2001
Associate Division Interest Fund	2002 and 2001
Probate Division Interest Fund	2002 and 2001
Tax Incentive Payment Fund	2002
Senior Citizen Tax Fund	2002
Senate Bill 40 Fund	2002

Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Recorder User Fee Fund	2002 and 2001
Sheriff Crime Cost Fund	2002 and 2001
Special Road and Bridge Fund	2002
911 Fund	2002
Health Center Fund	2002
Prosecuting Attorney Training Fund	2001
Senior Citizen Tax Fund	2001
Senate Bill 40 Fund	2001
Circuit Division Interest Fund	2001
Law Library Fund	2001

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

Although Section 50.740, RSMo 2000, requires a balanced budget, deficit balances were budgeted in the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Assessment Fund	2002
911 Fund	2002
Senate Bill 40 Fund	2001

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Tax Incentive Payment Fund	2002 and 2001
Nuclear Accident Emergency Preparedness Fund	2002 and 2001
Senior Citizen Tax Fund	2002 and 2001
Election Services Fund	2002 and 2001
Health Center Fund	2002 and 2001

Adult Abuse Fund	2002 and 2001
Senate Bill 40 Fund	2002 and 2001
Circuit Division Interest Fund	2002 and 2001
Associate Division Interest Fund	2002 and 2001
Law Library Fund	2002 and 2001
Probate Division Interest Fund	2002 and 2001

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's and the Health Center Board's deposits at December 31, 2002 and 2001, were entirely covered by federal depository insurance or by collateral securities held by the county's or board's custodial bank in the county's or board's name.

The Senate Bill 40 Board's deposits at December 31, 2002 and 2001, were entirely covered by federal depository insurance.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of the county deposits, Section 110.020, RSMo 2000, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Prior Period Adjustment

The Election Services Fund's cash balance of \$1,163 at January 1, 2001, was not previously reported but has been added.

Supplementary Schedule

Schedule

NODAWAY COUNTY, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2002	2001
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Health and Senior Service				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-1174W ERS045-2174	47,630	44,451
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state				
Department of Economic Development				
14.228	Community Development Block Grants/State Program	B00DC290001	4,325	0
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety				
16.523	Juvenile Justice Accountability Grant	99JAIBG-INT-12	6,891	0
16.579	Byrne Formula Grant Program	2000-NCD2-033	6,604	35,244
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-074(21) BRO-074(22) BRO-074(25) BRO-074(31) BRO-074(32) BRO-074(33) BRO-074(34)	9,328 320,819 75,021 203,402 376,653 4,718	 273,800 255,249 8,644
	Program Total		<u>989,941</u>	<u>537,693</u>
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	NA	0	3,341

Schedule

NODAWAY COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2002	2001
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration				
39.003	Donation of Federal Surplus Personal Property	NA	11,320	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Service				
93.268	Immunization Grants	NA PGA064-3174A	38,204 7,325	39,372 0
	Program Total		<u>45,529</u>	<u>39,372</u>
93.283	Centers For Disease Control & Prevention Investigations and Technical Assistance	AOC03380094 NA	27,917	2,143
Department of Social Services				
93.569	Community Services Block Grant	HCP-48	5,911	5,911
Department of Health and Senior Service				
93.575	Child Care and Development Block Grant Sanitarian Inspection for Child Care Facilities	PGA067-32226C PGA067-21745	515	3,589
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	ERS161 ERS161-10055	4,209	6,622
93.991	Preventive Health and Health Services Block Grant	AOC02380053 AOC01380054	22,054	27,412
93.994	Maternal and Child Health Service: Block Grant to the States	NA ERS146-3174M ERS146-1174/2174M ERS175-2049F DH20027005	372 18,305 6,260	3,641 17,371 2,450 464
	Program Total		<u>24,937</u>	<u>23,926</u>
SOCIAL SECURITY ADMINISTRATION				
Passed through state				
Department of Secondary and Elementary Education				
96.001	Social Security Disability Insurance	NA	0	24
	Total Expenditures of Federal Award:		\$ <u><u>1,197,783</u></u>	<u><u>729,728</u></u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

NODAWAY COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Nodaway County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property Program (CFDA number 39.003) represents the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268), and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2002 and 2001.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Nodaway County, Missouri

Compliance

We have audited the compliance of Nodaway County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2002 and 2001. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Nodaway County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2002 and 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-2.

Internal Control Over Compliance

The management of Nodaway County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 02-2, to be a material weakness.

This report is intended for the information and use of the management of Nodaway County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

June 5, 2003 (fieldwork completion date)

Schedule

NODAWAY COUNTY, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
 YEARS ENDED DECEMBER 31, 2002 AND 2001

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? yes x no

Reportable condition identified that is not considered to be a material weakness? x yes none reported

Noncompliance material to the financial statements noted? yes x no

Federal Awards

Internal control over major program:

Material weaknesses identified? x yes no

Reportable condition identified that is not considered to be a material weakness? yes x none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? x yes no

Identification of major program:

CFDA or Other Identifying <u>Number</u>	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

02-1.

Cash Management

The county has not established adequate procedures to track the amount of outstanding reimbursements due from the state for BRO projects. Contractors are paid by the county when the invoices are submitted and subsequently, the county requests reimbursement through the Highway Planning and Construction program. The county had submitted three reimbursement requests, totaling approximately \$456,000, which were not received on a timely basis and no follow up action was taken. Two of these requests, totaling approximately \$93,000, were submitted in July and November 2001, but the funds were not received from the state until May 2002. The other request, totaling approximately \$363,000, was submitted in December 2002, but was not received until June 2003. No follow up action was taken by the county to determine why these reimbursements had not been received. In addition, a request that was submitted in November 2002, totaling approximately \$322,000, had to be resubmitted in April 2003 due to some items being requested that were not allowable. This reimbursement was eventually received in May 2003.

Apparently, a check was issued in December 2001 to the county for reimbursement of the \$93,000 requests, but was not received by the county. Because no procedures were in place to track these requests, no follow up action was taken to locate these funds. The Treasurer was contacted by a check locator service in March 2002 about helping the county collect some unclaimed funds. The county entered into a contract with this check locator service in April 2002, at a cost of approximately \$4,700, and the county was then notified the unclaimed monies were an outstanding check from the state treasury. Had the county periodically compared project payments to outstanding reimbursements, this expense would not have been necessary and the county could have followed up with the state in a more timely fashion.

Failure to adequately track reimbursements due from the state can result in unnecessary expenses and increase the amount of time between payments to contractors and reimbursement of federal funds.

WE RECOMMEND the County Commission establish procedures to track monies outstanding for federal projects and ensure they are received in a timely manner from the state.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards to submit to the State Auditor's Office as part of the annual budget.

AUDITEE'S RESPONSE

The County Clerk responded:

I will work with all entities involved with federal grants to ensure that SEFA expenditures have been reported.

The Health Center Administrator responded:

Steps have been taken during 2003 to properly track federal expenditures. We will ensure the 2003 SEFA is complete and accurate.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

NODAWAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

NODAWAY COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

NODAWAY COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Nodaway County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 5, 2003. We also have audited the compliance of Nodaway County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 5, 2003.

We also have audited the operations of elected officials with funds other than those presented in the financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the financial statements of Nodaway County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.**Budgetary Practices**

The county does not have adequate budget preparation procedures and approved expenditures in excess of budgeted amounts for various funds.

- A. The county does not have adequate procedures to ensure budgets are prepared for all county funds, and as a result, budgets were not prepared for various county funds for the years ended December 31, 2002 and 2001. In addition, the county's annual published financial statements presented no information for some county funds.

The County Commission is responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo. Section 50.800, RSMo 1994, requires the County Commission to prepare and publish in the local newspaper a detailed financial statement of the county and provides that the financial statements show receipts, disbursements, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

- B. The County Commission approved expenditures in excess of budgeted amounts for various funds for the years ended December 31, 2002 and 2001. Procedures have not been established to monitor budget to actual amounts, which allowed some funds to overspend their budgets.

It was ruled in State ex. Rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office prior to incurring the expenditures.

WE RECOMMEND the County Commission:

- A. Ensure budgets are prepared for all county funds and include all county funds in the published financial statements as required by state law.
- B. Refrain from incurring expenditures in excess of budget amounts. If the county receives additional funds which could not be anticipated when the budget was adopted, the County Commission should amend its budget by following procedures required by state law.

AUDITEE'S RESPONSE

- A. *We will ensure all county funds are budgeted in the future and will encourage all other elected officials to submit their budgets accordingly.*
- B. *We agree and will make every effort to keep funds within their budgetary constraints and make appropriate amendments as necessary.*

2. County Officials' Compensation
--

Salaries for the Associate Commissioners, Sheriff and Coroner increased significantly in January of 1999.

Section 50.333.13 RSMo, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Nodaway County's Associate County Commissioners salaries were each increased approximately \$7,060 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of Section 50.333.13 RSMo. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, Laclede County v. Douglass et al., holds that all raises given pursuant to this statute section are unconstitutional. On June 5, 2001, the State Auditor notified all third class counties of the Supreme Court decision and recommended that each county document its review of the impact of the opinion, as well as plans to seek repayment.

Increases for the Sheriff and Coroner were \$7,000 and \$6,000, respectively. These raises were given in the middle of their term and there was no documentation to support these increases.

Based upon the Supreme Court decision, the raises given to the associate county commissioners, totaling approximately \$14,120 should be repaid. In addition, in light of the Supreme Court ruling, raises given to officials within their term of office should be re-evaluated for propriety.

WE RECOMMEND the County Commission review the impact of this court decision and develop a plan for obtaining repayment of any salary overpayments.

AUDITEE'S RESPONSE

The County Commission responded:

We took those raises in good faith based upon existing state law. At this time we will not request repayment. Regarding raises of the Sheriff and Coroner, we will obtain an opinion from the Prosecuting Attorney to determine if any action needs to be taken.

The Sheriff responded:

This raise was taken after obtaining advice and opinions from various sources, including the Missouri Association of Counties, the director of the Missouri Sheriff's Association, other legal experts, and the Nodaway County Commissioners. It was recommended that if the proposed raises were taken by the Associate Commissioners, the raise should also be given to the Sheriff.

The Coroner responded:

I was appointed as County Coroner in 1998 by the Governor and was not a member of the 1997 salary commission where these raises were discussed. During a 1998 meeting with the County Commission and the Sheriff, I was informed that based on the newly enacted State law, the Associate Commissioner, Sheriff and Coroner would be receiving an increased salary in 1999, based upon the conversations the Commissioners had with the Missouri Association of Counties.

3. Expenditures

The county did not solicit bids through advertisement, did not document reasons for not selecting the lowest bid in one instance, nor did they indicate receipt of goods on several invoices.

- A. While bids were taken, they were not always solicited through advertisement. Examples of items purchased which were not advertised for bid: construction of a metal frame building costing \$68,641 (partial payment), sheet piling costing \$29,856, and lumber costing \$19,795. The commissioners indicated they utilized their own list of individuals for sending invitations for bids since there are often no available suppliers within the county. In addition, the county commission did not accept the low bid on an excavator, which was \$17,485 less than the bid accepted, and did not document in the commission minutes the reason for not accepting the low bid.

Section 50.660, RSMO 2000, requires the advertisement of bids for all purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. The commission minutes should clearly document the reasons for accepting a bid other than the low bid.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county receives fair value by contracting with the lowest and best bidders. In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in county business.

- B. A county employee's signature on the invoice, indicating receipt of goods or services, was not evident on 12 of 29 (41%) items tested. These items primarily consisted of labor, lumber, and numerous loads of road rock. There is less assurance the county actually received these items without the invoice being signed to evidence receipt of the goods or services.

WE RECOMMEND the County Commission:

- A. Solicit bids through advertisement for all purchases in accordance with state law and retain justification for the bid selected, if it is not the low bid.
- B. Ensure the receipt of goods or services is indicated on all invoices prior to payment.

AUDITEE'S RESPONSE

- A. *We agree and will improve our advertising procedure for bids. In the future, we will document more clearly reasons for not accepting low bids.*
- B. *We agree and will ensure this is indicated on all invoices in the future.*

4. Property Tax Books and Procedures

The County Clerk did not reconcile the aggregate abstracts to the tax books and annual settlement. While the tax books and annual settlement were in agreement, they differed from some amounts reported on various aggregate abstracts. One difference was a \$30,000 correction made to the tax books in 2002, after the preparation of the aggregate abstract. The corrected amount was properly reported on the annual settlement, but the aggregate abstract was not corrected and resubmitted.

Failure of the County Clerk to verify the accuracy of aggregate abstracts could result in failure to detect errors on the annual settlement.

WE RECOMMEND the County Clerk reconcile the aggregate abstracts, tax books and annual settlement.

AUDITEE'S RESPONSE

I agree and will do this in the future.

5.**Payroll and Leave Balances**

Leave taken is not accurately reported on some employee's timesheets and some leave balances exceeded the maximum allowed by the county's leave policy. Employees in the Prosecuting Attorney's office did not report leave taken on their timesheets. Periodically, the Prosecuting Attorney would report leave balances on the employee's timesheet. The balances reported indicated leave had been taken, but this was not reflected on the monthly timesheets. In addition, the balances reported by the Prosecuting Attorney for one employee exceeded the maximum accrued balance allowed on several occasions. The County policy manual states that employees are allowed to accrue and accumulate a maximum of 20 days sick leave and 20 days of annual leave. To ensure that all employees are treated equitably, the leave policy should be followed for all employees.

WE RECOMMEND the County Commission ensure leave taken is accurately reported on the timesheets and leave balances do not exceed the maximum allowed by the county's leave policy. If the commission believes the policy should be changed, it should be revised accordingly.

AUDITEE'S RESPONSE

We will continue to request accurate leave information from all county employees.

6.**Sheriff's Accounting Controls and Procedures**

The Sheriff's Department does not always deposit receipts or make disbursements timely nor did they make timely and appropriate dispositions of seized property.

A. The Sheriff's Department maintains bank accounts for both general and board of prisoner receipts. Our review of these accounts noted the following concerns:

1. Receipts are not deposited intact on a timely basis for both the general and board of prisoner's accounts. Bank deposits are made approximately four to five times a month into both bank accounts and averaged between \$800 and \$1,500 per deposit. Several instances were noted where deposits were not made intact, due to cash refunds being given. In addition, checks are not restrictively endorsed upon receipt. The Sheriff's Department indicated that funds received are placed immediately in the lock box until deposited in the bank, and sometimes checks are placed in the lock box without being restrictively endorsed first.

To adequately safeguard monies and reduce the risk of loss or misuse of funds, receipts should be restrictively endorsed and deposits should be made

intact daily or when accumulated receipts exceed \$100. Refunds should be made by check to ensure receipts are deposited intact.

2. Disbursements to the state, county, and other applicable parties for fees collected are not made timely. We noted time lags between the date fees were received and the date fees were distributed frequently exceeded one month. For example, fees collected in November 2001 were not disbursed until February 2002. Other months were also noted where fees were not distributed timely.

State law requires that all fees collected by the Sheriff be distributed monthly to the state and county treasurer.

- B. Several items on the seized property inventory listing have been on hand for several years and there is no documentation that these items are still needed for trial. For example, a ring seized in December 1993 was still on hand and drugs and alcohol seized in 1999 and 2000 have not been disposed of. The Sheriff indicated they attempt to dispose of drug paraphernalia and alcohol approximately twice a year, but the last disposal was made in January 2002. The items noted above were not disposed of at that time because they related to ongoing cases, which have now been resolved.

Section 542.301 RSMo, 2000 states seized property may be ordered sold or destroyed by a judge if not claimed within one year from the date of seizure. Proper disposal of such items would eliminate the significant risks of unauthorized access, use, or theft, and the related potential liability of the county for such possible improper access or use.

A condition similar to part A.1 was noted in our prior report.

WE RECOMMEND the Sheriff:

- A.1. Deposit receipts intact daily or when receipts exceed \$100, restrictively endorse checks immediately upon receipt, and issue all refunds by check.
 2. Distribute fees collected in a timely manner.
- B. Make timely and appropriate dispositions of seized property.

AUDITEE'S RESPONSE

- A.1. *We will attempt to make deposits more timely in the future. We have already begun to restrictively endorse checks upon receipt. We will make every effort to discontinue issuing cash refunds.*

2. *We will attempt to pay these out as timely as possible, based upon our workload.*
- B. *We have always disposed of unneeded seized property on a timely basis in the past. Currently, we have prepared destruction orders to dispose of numerous unneeded items in our property room. The Associate Judge has indicated he would sign the destruction orders related to controlled substances still on hand within 30 days, but is seeking the advice of the Attorney General's office regarding his responsibilities for the disposal of some other items.*

7.

Health Center Procedures

The Health Center does not issue checks sequentially and some voided checks were not handled properly. Additionally, they do not adequately monitor expenditures for the Family Planning Program. Formal procedures were not established for fixed assets nor do they perform annual inventories.

- A. The Health Center did not consistently issue checks sequentially and the numerical sequence of checks was not always adequately accounted for. When checks were prepared, the Health Center personnel did not ensure the check number posted to the accounting records agreed to the check number on the prenumbered checks. Personnel posted the check numbers, amounts, and payees to the system prior to printing the checks, which caused the amounts and payees for some checks issued in 2002 to not agree to the information posted to the system. As a result, the check numbers are not always posted to the system sequentially and some check numbers were posted twice, with different payees and amounts. While bank reconciliations were prepared, they did not always reconcile to book records because the outstanding check amounts were not correct for most checks listed as outstanding.
- B. The Health Center did not adequately monitor expenditures and track program costs of the Comprehensive Family Planning Program. Documentation was not maintained for the amount of time spent by personnel servicing family planning clients. Instead, the Health Center allocated approximately 54% of the salaries paid to personnel who service family planning clients, based on the number of participants they served through the women's health clinic. As a result, the Health Center failed to comply with the contractual requirements of tracking costs. Additionally, administrative expenses were inappropriately being included in actual costs of comprehensive family planning services, contrary to the contract.
- C. The Health Center has not established formal policies and procedures for general fixed assets, which includes procedures to update property records, number, and tag or otherwise identify property items. In addition, annual physical inventories of property have not been performed. Various fixed asset purchases over \$250 were not recorded in the fixed asset listing. Items not recorded in the fixed asset records included a Sony notebook computer for \$1,424, a refrigerator for \$476, and Treasure Island Hand Print toy box for \$849.

WE RECOMMEND the Health Center Board of Trustees:

- A. Ensure the preprinted prenumbered check numbers are accurately posted to the computer system and the numerical sequence of checks is accounted for monthly.
- B. Adequately monitor expenditures and track program costs of the Comprehensive Family Planning Program to comply with the program contract. Additionally, administrative expenses should not be included in actual costs of comprehensive family planning services.
- C. Ensure that policies and procedures for general fixed assets with an original cost of \$250 or more are properly added to the fixed asset listing and actual physical inventory of the various property items should be performed periodically.

AUDITEE'S RESPONSE

The Health Center Administrator responded:

- A. *I took over as Health Center Administrator in July 2002 and was unfamiliar with the accounting program and printer. We now have procedures in place to ensure the check numbers are accurately posted to the system and we account for the numerical sequence of checks monthly.*
- B. *We have already begun tracking these program costs in accordance with the contract and will ensure administrative costs are not included in program expenditures for 2003.*
- C. *We will develop and implement policies and procedures for fixed assets by December 31, 2003. Annual physical inventories will be performed by an independent person in the future.*

8. Associate Division Accounting Controls and Procedures

The Associate Division does not follow up on outstanding checks, disburse fees collected timely, nor did they determine the source of funds in an inactive bank account.

- A. The Associate Division has not established procedures to routinely follow up on outstanding checks. At December 31, 2002, the Associate Division had 28 outstanding checks over one year old, totaling approximately \$1,262. These old outstanding checks create additional and unnecessary record keeping responsibilities.

Procedures should be established to routinely investigate any checks remaining outstanding over a specified period of time. Old outstanding checks should be voided and reissued to those payees who can be readily located. If the payees cannot be located the amount should be disbursed to the State's Unclaimed Property Section as required by Section 447.595, RSMo 2000.

- B. Disbursements to the state, county, and other applicable parties for fees collected are not made timely. The fees collected in February, March, and April, 2003, totaling approximately \$88,000, were not disbursed until May 2003. In order to make it appear these disbursements were made timely, several checks were not used at the end of each month. While the checks were actually written in May 2003, the check stubs were dated as if the checks had been written at the end of each month.

State law requires that all fees collected by the Associate Clerk for court cases be distributed monthly to the state and county treasurer. Timely disbursements of fees collected are necessary to provide adequate controls over account balances and increase the likelihood that discrepancies are detected in a timely manner. To provide an accurate record of when disbursements are made, the check stubs should be dated the same day the checks are written.

- C. The Associate Division currently maintains a bank account with a balance at December 31, 2002 of \$4,472, that has been inactive for several years. While the Associate Judge has indicated they believe this money represents accumulated interest, there is no documentation available to support that claim and no listing of open items (liabilities) is maintained. An attempt should be made to locate the payees of this money, and if the Associate Judge determines this money represents accumulated interest, a court order should be prepared to transfer this money to the Associate Division Interest Fund. This old, inactive account creates additional and unnecessary record keeping responsibilities.

A condition similar to part B was noted in our prior report.

WE RECOMMEND the Associate Division:

- A. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- B. Distribute fees collected to the county and state in a timely manner.
- C. Resolve the balance of this old account and disburse the funds to the appropriate party.

AUDITEE'S RESPONSE

The Associate Judge responded:

- A. *We will make every effort to disburse these old outstanding checks timely.*
- B. *We agree and will attempt to disburse these fees timely based upon our staffing & work load.*
- C. *We will transfer these monies into our interest fund by the end of 2003.*

9.

Juvenile Office

The Juvenile Office procured legal services for juvenile cases but maintained no documentation to support how the attorney was selected. The attorney selected to provide these services, who also serves as the Nodaway County Prosecuting Attorney, was paid \$1,000 per month in 2002 (\$12,000) and \$500 per month in 2001 (\$6,000) by the county. The other four counties in the circuit then reimburse Nodaway County 49% of these costs. No agreement exists detailing the services to be performed and the amount to be paid and supporting documentation was not available from the Juvenile Office to support these monthly payments. An analysis of the amount of time spent on Juvenile cases by the Prosecuting Attorney was performed during 2001, and it was determined the amount paid to him should be increased, however, no documentation was maintained of this analysis.

No other attorneys are used for Juvenile case work and it does not appear reasonable for the county to pay the Prosecuting Attorney to perform legal work for the county. The Circuit Judge provided an opinion that this arrangement was appropriate because the Prosecuting Attorney only charged a fee on cases involving juveniles from the other four counties in the circuit. Considering that Nodaway County is responsible for 51% of the 4th Judicial Circuit expenses, and there is no documentation to show which cases are charged for, the county may, unknowingly, be paying for work performed on Nodaway County cases.

WE RECOMMEND the Juvenile Office ensure documentation is maintained to support the selection of an attorney and that detailed invoices are maintained to support all payments for legal services.

AUDITEE'S RESPONSE

The Juvenile Officer, Prosecuting Attorney, and Circuit Judge responded:

All recommendations have been implemented. The Auditor's Office has been provided a copy of the contract, reflecting that no legal fees are paid for representation on Nodaway County cases, and a documentation process has been implemented. The Nodaway County Prosecuting Attorney continues to represent the Juvenile Office in Nodaway County cases without compensation.

The Prosecuting Attorney provided an additional response:

The Prosecuting Attorney has never been hired by the Juvenile Office for representation on juvenile cases and has never charged a fee on any cases. In accordance with the procedures outlined by the Missouri Court of Appeals, in his private practice, the individual who serves as Prosecuting Attorney for Nodaway County also represents the Juvenile Office in other counties of the Circuit. As noted by the Circuit Judge in his response, none of the counties, including Nodaway County, has ever expended any funds for the Prosecutor's representation of Nodaway County. The Prosecuting Attorney for Nodaway County has always represented the Juvenile Office in Nodaway County cases without compensation.

10.

Senate Bill 40 Board

The Senate Bill 40 Board did not prepare budgets as required, nor did they prepare formal monthly bank reconciliations. Additionally, adherence to contracts with a not-for-profit organization was not enforced. Finally, the Senate Bill 40 Board does not have a policies and procedures manual governing the operations of the Board.

- A. The Senate Bill 40 Board did not prepare a budget for 2002. While a budget was prepared for 2001, estimated revenues for the year were \$0, no actual amounts for the previous two years were reported, and a cash reconciliation and budget summary were not included. In addition, actual expenditures exceeded budgeted amounts by \$29,330 for 2001.

Chapter 50, RSMo 1994, requires preparation of an annual budget for all funds to present a complete financial plan for the ensuing year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditure estimates by classification, and include the beginning available resources and reasonable estimates of the ending available resources for all funds. The budget should also include a budget message.

It was ruled in *State ex rel. Strong v. Cribb* 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.662, RSMo Supp. 1997, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

A similar condition was noted in our previous audit.

- B. The Senate Bill 40 treasurer did not prepare formal monthly bank reconciliations or record receipts in the check register. Monthly bank reconciliations are necessary to ensure the accounting records balance with the bank and to detect errors timely. Additionally, book balances should be maintained in order to ensure records are in balance.
- C. Payments to a not-for-profit organization in 2002 and 2001 totaled \$89,568 and \$112,288 respectively. A contract with a not-for-profit organization requires the organization provide the board with annual budgets specifying how the funds will be expended, and also requires the board to monitor the use of the funds. The board did not receive annual budgets from the not-for-profit and did not monitor the use of the funds to ensure they were spent appropriately.

By failing to monitor the proposed and actual uses of contractual payments, the Senate Bill 40 Board cannot be assured that the financial assistance provided to the not-for-profit has been spent appropriately.

WE RECOMMEND the Senate Bill 40 Board:

- A. Prepare budgets as required by state law and ensure expenditures do not exceed budgeted amounts. If additional expenditures are necessary, the budget should be amended and the circumstances adequately documented.
- B. Perform monthly bank reconciliations and record receipts and disbursements in the check register.
- C. Monitor any expenditures made for compliance with the terms of the contract.

AUDITEE'S RESPONSE

The Senate Bill 40 Board Treasurer responded:

- A. *We agree and will ensure this is done in the future including a cash reconciliation and budget summary.*
- B. *We agree and will prepare monthly bank reconciliations and will ensure receipts and disbursements are properly recorded.*
- C. *We agree and will develop procedures to implement this recommendation.*

Follow-Up on Prior Audit Findings

NODAWAY COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Nodaway County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1998.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Published Financial Statements

The annual published financial statements did not include the financial activity of some county funds and did not include all required information for other county funds. In addition, no information was included regarding the Senate Bill 40 Board Fund.

Recommendation:

The County Commission ensure financial information for all county funds is properly reported in the annual published financial statements.

Status:

Not implemented. See MAR finding number 1.

2. Personnel Policies and Procedures

- A. There was no clear written policies detailing the employee's work week and the requirements for earning compensatory time off.
- B. The County Clerk did not maintain records of vacation leave, sick leave, and compensatory time earned or subsequently taken by county employees.
- C. Personnel files did not always include current signed authorizations for payroll deductions. Complete personnel files were not being kept for each county employee.
- D. Time sheets were not being signed by the appropriate supervisor.
- E. There were inconsistencies in holiday pay for part-time employees. Some part-time employees were receiving a full day of holiday while other employees received only a proportionate amount of holiday pay.

Recommendations:

The County Commission:

- A. Develop written policies that provide clear guidance as to when compensatory time can be earned.
- B. Require the County Clerk maintain centralized records of vacation leave, sick leave, and compensatory time earned, taken, and paid for all county employees.
- C. Maintain complete personnel files for each county employee, including current authorizations for payroll deductions and payments.
- D. Ensure employee time sheets are signed by applicable supervisors indicating their approval.
- E. Ensure part-time employees are compensated for holiday pay in accordance with county policy.

Status:

A, C,
D&E. Implemented.

B. Not implemented. See MAR finding number 5.

3. General Fixed Asset Records and Procedures

General fixed asset records are not complete and accurate. The County Clerk did not reconcile purchases to additions and formal disposition approval and documentation procedures were not in place.

Recommendation:

The County Clerk establish procedures to ensure fixed asset purchases and dispositions are properly recorded on the general fixed asset records as they occur, periodically reconcile asset purchases to the fixed asset records addition, work with the County Commission to establish a formal method of disposing of general fixed assets, and ensure the fixed asset records provide a detailed description of each item.

Status:

Not implemented. Although not repeated in the current report, our recommendation remains as stated above.

4. Public Administrator Controls and Procedures

- A. The Public Administrator and Associate Circuit Judge did not establish fee guidelines which would ensure all estates were charged fees in an equitable manner.
- B. The value of assets reported on the annual settlement prepared by the estate's attorney was less than the value of the assets reported on the Public Administrator's annual report and request for compensation.
- C. The office space made available to the Public Administrator in the Courthouse Annex did not provide privacy or security necessary for case records.

Recommendations:

- A. The Public Administrator should work with the Associate Circuit Judge in order to establish fee guidelines that will ensure all estates are charged fees in an equitable manner.
- B. The Public Administrator ensure accurate values of assets are presented on annual reports and request for compensation.
- C. The County Commission work with the Public Administrator to evaluate the costs to wards associated with the current working arrangement and the potential benefits of providing suitable office space.

Status:

A&C. Implemented.

- B. Partially implemented. It appears that the Public Administrator is updating the values of the estate's assets annually. However, a title to a vehicle was found in one of the ward's files and it is unclear whether it should have been listed on the annual settlement. Additionally, we did note some immaterial errors in the recording of dollar amounts of assets. Although not repeated in the current report, our recommendation remains as stated above.

5. Associate Division's Accounting Controls and Procedures

- A. Disbursements to the state, county, and other applicable parties for fees collected were untimely.
- B. Monthly listings of open items (liabilities) and formal bank reconciliations were not prepared on a timely basis for the Associate Division bank account.

Recommendations:

The Associate Division:

- A. Distribute fees on a monthly basis.
- B. Prepare a listing of open items and bank reconciliation on a monthly basis, and ensure the total open items reconciles to the cash balance.

Status:

- A. Not implemented. See MAR finding number 8.
- B. Implemented.

6. Sheriff's Accounting Controls and Procedures

- A. Receipts pertaining to both the general and board of prisoners accounts were not deposited on a timely basis.
- B. Accounting duties were not adequately segregated. Responsibilities of collecting, recording, depositing receipts, performing month-end reconciliations, and preparing and signing checks were assigned to one employee. There was no documented independent review of the accounting records and reconciliations.

Recommendations:

The Sheriff:

- A. Require monies to be deposited daily or when accumulated receipts exceed \$100.
- B. Adequately segregate the record keeping duties or perform and document periodic reviews of the accounting records.

Status:

- A. Not implemented. See MAR finding number 6.
- B. Implemented.

7. Assessor's Controls and Procedures

- A. The Assessor did not transmit receipts to the County Treasurer intact. The change/petty cash fund was not maintained at a constant amount and no documentation of expenditures was retained.

- B. Checks and money orders received were not restrictively endorsed immediately upon receipt.
- C. The Assessor did not file monthly reports of fees collected with the County Commission.

Recommendations:

The Assessor:

- A. Transmit all monies received to the County Treasurer intact. The composition of checks and cash received should be reconciled to the amounts turned over to the County Treasurer. In addition, if a change/petty cash fund is needed it should be maintained at a constant amount and documentation to support expenditures retained.
- B. Restrictively endorse all checks and money orders immediately upon receipt.
- C. File monthly reports of fees in accordance with state law.

Status:

A, B,
&C. Implemented.

8. County Clerk's Controls and Procedures

- A. Prenumbered receipt slips were not issued for some monies received in the County Clerk's office.
- B. The monthly report of fees collected that the County Clerk files with the County Commission contained only notary fees and clerk fees received from the Ex-Officio Collector. Other monies received by the County Clerk were not included on the monthly reports.

Recommendations:

The County Clerk:

- A. Issue receipt slips for all monies received.
- B. Include all monies received on the monthly reports of fees collected.

Status:

A&B. Implemented.

9. Senate Bill 40 Board

- A. Actual expenditures exceeded budgeted amounts.
- B. The Senate Bill 40 Board's budgets were not complete. The budgets did not include a comparative statement of actual receipts and disbursements for two previously completed fiscal years, and the beginning and ending cash balance information provided was inaccurate or not provided. The SB 40 Board did not perform a reconciliation of prior year's beginning cash, receipts, and disbursements to the ending cash balance.

Recommendation:

- A. Ensure the annual budget includes reasonable estimates of expenditures and keep expenditures within budgetary limits. Extenuating circumstances should be fully documented and budgets properly revised.
- B. Ensure budgets are complete and accurate.

Status:

A&B. Not implemented. See MAR finding number 10.

STATISTICAL SECTION

History, Organization, and
Statistical Information

NODAWAY COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1845, the county of Nodaway was named after the Nodaway River. Nodaway County is a township-organized, third-class county and is part of the Fourth Judicial Circuit. The county seat is Maryville

Nodaway County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 1276 miles of county roads and 354 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 21,996 in 1980 and 21,912 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2002	2001	2000	1999	1985*	1980**
	(in millions)					
Real estate	\$ 146.4	143.6	136.4	126.5	95.6	55.8
Personal property	73.1	69.8	65.3	60.8	32.3	24.6
Railroad and utilities	15.8	14.1	15.0	15.1	9.6	11.5
Total	\$ 235.3	227.5	216.7	202.4	137.5	91.9

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Nodaway County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,			
	2002	2001	2000	1999
Health Center Fund	\$.0500	.0500	.0500	.0500
Senate Bill 40 Fund	.0500	.0500	.0500	.0500
Senior Citizen Tax Fund	.0500	.0500	.0500	.0500

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
State of Missouri	72,212	71,581	66,601	58,390
General Revenue Fund	22,686	20,972	20,668	20,491
Township Road and Bridge Fund	920,750	891,067	829,880	809,872
County Road and Bridge Fund	122,817	122,232	103,756	102,682
Assessment Fund	151,820	148,065	134,345	126,946
Health Center Fund	120,416	117,356	109,834	103,210
Senate Bill 40 Fund	120,413	117,335	109,776	103,173
School districts	10,186,617	10,040,209	8,944,521	8,463,463
Ambulance district	434,938	423,621	395,914	352,526
Fire protection district	172,170	163,779	159,482	149,939
Watershed Districts	13,675	14,346	16,013	28,506
Senior Citizen Tax Fund	116,262	111,995	102,884	0
Road Bonds	349,442	387,282	316,046	357,625
Townships	152,251	149,016	139,078	127,397
Cities	1,205,955	1,179,604	1,070,483	1,038,690
County Clerk	183	171	157	172
County Employees' Retirement Fund	30,832	32,855	25,382	26,787
Other	6,717	4,351	10,789	4,560
Commissions and fees:				
Township Collectors	110,586	107,536	97,960	93,234
EOC Commissions	3,262	77,214	2,280	2,429
General Revenue Fund	74,699	3,494	66,879	66,204
Total	\$ 14,388,703	14,184,081	12,722,728	12,036,296

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
Real estate	96	95	95	96 %
Personal property	94	94	94	95
Railroad and utilities	100	100	100	100

Nodaway County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$.0050	None	50 %
Capital improvements	.0050	None	None

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2003	2002	2001	2000	1999
County-Paid Officials:					
Lester Keith, Presiding Commissioner	\$	29,390	29,390	29,390	29,060
Wayne Nelson, Associate Commissioner		27,390	27,390	27,390	27,060
Larry Dougan, Associate Commissioner		27,390	27,390	27,390	27,060
Donna Carmichael, Recorder of Deeds		41,500	41,500	41,500	41,000
John W. Zimmerman, County Clerk		41,500	41,500	41,500	41,000
David Baird, Prosecuting Attorney		51,000	51,000	51,000	49,000
Ben Espy, Sheriff		46,000	46,000	46,000	45,000
Rex Wallace, County Assessor (1), year ended August 31,		42,400	42,400	10,835	
Patrick Nelson, County Assessor (1), year ended August 31,				31,065	41,900
Mary Noel, Treasurer and Ex Officio County Collector(2), year ended March 31,	44,816	45,048	43,834	43,983	
Thomas Scarbrough, County Coroner		14,000	14,000	14,000	13,000
Julia D. Lyle, Public Administrator		25,000	25,000		
Margaret Cordell, Public Administrator (3)				36,859	44,653

(1) Includes \$900 annual compensation from the state.

(2) Includes \$3,262, \$3,494, \$2,280 and \$2,249 , respectively, of commissions earned for collecting city property taxes.

(3) Includes fees received from probate cases.

State-Paid Officials:

Patrick O'Riley, Circuit Clerk		47,300	47,300	46,127	44,292
Glen Dietrich, Associate Circuit Judge		96,000	96,000	97,382	87,235